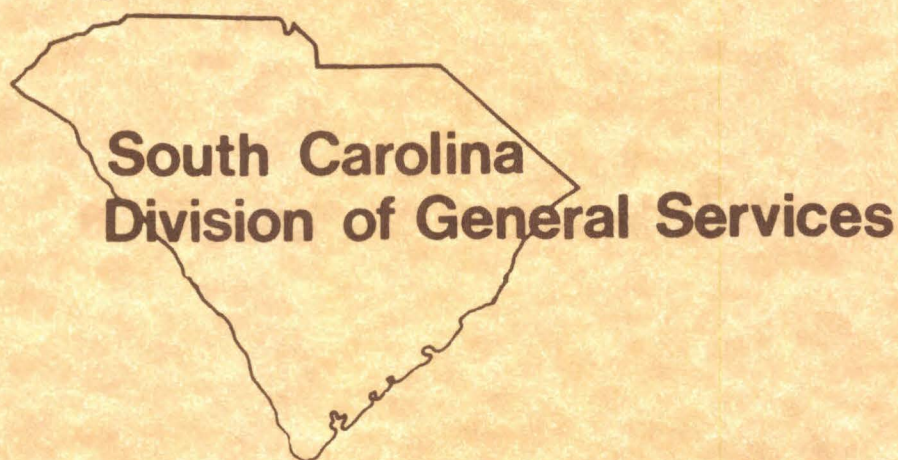


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PROCUREMENT AUDIT AND CERTIFICATION

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TECHNICAL COLLEGE OF THE LOWCOUNTRY
AGENCY

JANUARY 1, 1987 - JUNE 30, 1988
DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
DIVISION OF GENERAL SERVICES



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JAMES J. FORTH, JR.
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ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

July 20, 1989

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Technical College of the Lowcountry procurement audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.
Assistant Division Director

Attachment

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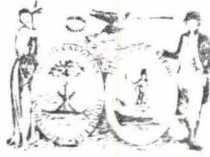
TECHNICAL COLLEGE OF THE LOWCOUNTRY
AUDIT REPORT

JANUARY 1, 1987 - JUNE 30, 1988

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	4
Scope.....	5
Summary of Audit Findings.....	7
Results of Examination.....	9
Conclusion.....	17
Follow-up Review.....	18

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CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

July 12, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the Technical College of the Lowcountry for the period January 1, 1987 through June 30, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Technical College of the Lowcountry is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by

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management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Technical College of the Lowcountry in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the Technical College of the Lowcountry.

Our on-site review was conducted July 26, 1988 through August 18, 1988 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in Compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Technical College of the Lowcountry and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. The examination was limited to procurements from local funds which include federal funds, local contributions and student collections. This is the procurement activity managed completely by the College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

We selected random samples for the period January 1, 1987 - June 30, 1988, for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;

- (8) file documentation of procurements;
- (9) inventory and disposition of surplus property;
- (10) economy and efficiency of the procurement process; and,
- (11) Minority Business Enterprise Utilization Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system at the Technical College of the Lowcountry, hereinafter referred to as the College, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Goods and Services, Consultants, Information Technology and Construction</u>	9
Our examination of one hundred thirteen randomly selected procurements in these four areas revealed the following types of exceptions to the Consolidated Procurement Code and Regulations.	
A. <u>Procurements Made Without Competition</u>	9
Six procurements were not supported by evidence of competition.	
B. <u>Unauthorized Procurements</u>	10
Six procurements were unauthorized.	
II. <u>Compliance - Sole Source</u>	11
We noted the following exceptions in sole source procurements:	
A. Four inappropriate sole sources;	
B. One unauthorized sole source; and	
C. Three reporting errors.	

III. Compliance - Emergency Procurements

15

We noted three reporting exceptions in emergency procurements.

IV. Contractual Services Not Competed

16

The College has not competed the contractual services for transportation services - Upward Bound Program, transportation services - New Horizons Program, day care services for children of students, and magazine subscription services.

RESULTS OF EXAMINATION

I. Compliance - Goods and Services, Consultants, Information Technology and Construction

Our review of one hundred thirteen randomly selected procurement transactions and twelve vendor files resulted in the following types of exceptions.

A. Procurements Made Without Competition

The College did not solicit competition for the following six procurements.

<u>Check Number</u>	<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
54814	22942	\$ 936.00	Travel agency services
55233	880111	750.00	Voucher checks
55998	DEV	730.50	Install carpet
59244	881123	995.00	Logo name change - tent
59752	881389	1,535.93	Educational supplies
59787	881433	2,287.00	Software

The Code requires evidence of competition for all procurements greater than \$500.00 unless they are made from state term contracts, exempt from the requirements of the Code, or determined to be sole source or emergency procurements.

The College should take action to assure compliance to the Code and regulations.

COLLEGE RESPONSE

1. Check 54814 - All travel agencies in the Beaufort area are under the same ownership and in order to obtain a competitive bid, we must go outside the area. We have established direct contact procedures with the airlines for obtaining competitive prices on all future purchases which require competition.

2. Check 55233 - The College used the vendor in prior years to print checks and when the supply ran low, additional printing was requested on short notice. The College will avoid this situation in all future purchases.
3. Check 55998 - The vendor used is noted for quality work at competitive rates. He was available for prompt service. Competitive bids will be solicited in the future.
4. Check 59244 - The services provided were a change in name on a tent which was purchased from the vendor. This particular vendor was used as it was a modification of an item provided by them and no other vendor could provide the item as required. In the future a sole source procurement will be made.
5. Check 59752 - The Educational Supplies purchased were electronic items to replenish kits owned by the College which had been purchased from this vendor. The College will purchase the items as a sole source in the future.
6. Check 59787 - This end of the year procurement was for relatively new computer software items needed to complete a system. End of the year purchase policies relating to cutoff order dates and better internal control systems have been implemented which should prevent this type of occurrence in future purchases.

B. Unauthorized Procurements

The College made six procurements that were unauthorized for one of two reasons. An unauthorized procurement is defined as an act obligating the State in a contract by any person without the requisite authority to do so or by a governmental body in excess of its delegated authority limit. The procurements were as follows:

	<u>Check Number</u>	<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
1.	55367	-	\$ 272.00	Transportation services
2.	55808	-	115.50	Transportation services
3.	56387	-	1,029.60	Transportation services
4.	59765	-	788.70	Transportation services
5.	55482	-	4,914.00	Transportation services
6.	54101	22692	3,315.50	Shrubbery

Items 1-5 above were procurements made by personnel without the requisite authority to do so. Items 5 and 6 above, exceeded the College's procurement authority limit of \$2,500.00.

Ratification must be requested for each of these unauthorized procurements in accordance with Regulation 19-445.2015. Items 1-4 are within the College's procurement authority so ratification must be requested from the College President. Items 5 and 6 exceeded the College's procurement authority so the College President must request ratification from the Materials Management Officer.

COLLEGE RESPONSE

Items 1-5: The procurement for transportation for students in some of the Federal Programs was arranged by the Fund Administrator and is an ongoing need. The services are now arranged by bid through MMO. Items 1-4 are in process of ratification by the College President, item 5 is in process of ratification by MMO, and Item 6 was ratified by the Director of Materials Management on September 9, 1988.

II. Compliance - Sole Source

We examined the quarterly reports of sole source procurements and all available supporting documents for the period April 1, 1986 through June 30, 1988, for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but we did note the following types of exceptions.

A. Inappropriate Sole Source Procurements

The following procurements were made inappropriately as sole sources:

<u>Purchase Order</u>	<u>Quarter</u>	<u>Amount</u>	<u>Description</u>
22623	6/87	722.56	Outdoor lamps
22732	6/87	1,218.68	Trees
881049	3/88	3,154.00	Supplies for aqua-culture program
880884	3/88	1,149.75	Equipment - display phone

Regulation 19-445.2105 states, "Sole source procurement is not permissible unless there is only a single supplier... In cases of reasonable doubt, competition should be solicited."

We recommend that competition be solicited when there is reason to believe that an item or service may be available from another source.

COLLEGE RESPONSE

1. Purchase Order 22623 - The items purchased were lamps used in the campus lighting system and although prior purchases were made with this vendor, the items were also available from other sources and bids could have been obtained.
2. Purchase Order 22732 - This was a misclassification, as bids were solicited on the items.
3. Purchase Order 881049 - Three bids were solicited by the College with two no responses; however, as the amount of the third vendor exceeded the College's procurement limit of \$2,500.00, the request should have been forwarded to MMO for solicitation of bids, rather than submitted as a sole source.
4. Purchase Order 880884 - Although this item was a specific equipment purchase, the College should have solicited competitive bids.

B. Unauthorized Sole Source Procurements

During the quarter ending September 1986, the College made one unauthorized sole source procurement. Purchase order 21493 for \$993 for maintenance of a mailing machine was reported as a sole source but the required written determination was not prepared.

Section 11-35-1560 of the Code states in part:

A contract may be award for a supply, services or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of the purchasing agency, or a designee of either officer above the level of the procurement officer determined in writing that there is only one source for the required supply, service or construction item.

Such determination is required in every case. Further, since specific approval is required, such approval must be obtained before a commitment is made to a vendor.

Since this was not done in these instances, the procurements are unauthorized. Ratification must be requested from the College President as indicated in item I.B. above.

COLLEGE RESPONSE

Purchase Order 21493 - Although the purchase was correctly identified as a sole source purchase, the paperwork was not properly completed. The ratification of the purchase is in process.

C. Reporting Errors

The College reported the following two procurements that should not have been reported for the reasons noted.

<u>Purchase Order</u>	<u>Quarter</u>	<u>Amount</u>	<u>Reason</u>
22730	6/87	\$ 242.74	Amount less than \$500
881311	6/88	964.16	Three phone quotes solicited

Additionally, the College failed to report a sole source procurement for \$9,748 for the copier maintenance covering the period 7/1/87 to 6/30/88.

Section 11-35-2440(1) of the Code requires that, among other items, each governmental body submit quarterly a report of all sole source procurements to the chief procurement officers. Item (2) of this section requires that the governmental body reports be compiled into a statewide report and submitted to the Budget and Control Board annually. Failure to accurately report this activity results in misstatement of the report to the Budget and Control Board.

We recommend that amended reports be filed addressing these three procurements. The College should insure that future reports are accurate.

COLLEGE RESPONSE

1. Purchase Orders 22730 and 881311 - The College is in the process of filing amended reports to properly classify these two purchases.
2. Procurement for Copier Maintenance - A sole source procurement form was filed for the copier maintenance agreement for the 1987/88 year on June 15, 1987.

III. Compliance - Emergency Procurements

We examined the quarterly reports of emergency procurements and all available supporting documents for the period April 1, 1986 through June 30, 1988 for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but we did note the following three emergencies that were reported as sole sources:

<u>Purchase Order</u>	<u>Quarter</u>	<u>Amount</u>	<u>Description</u>
22398	3/87	\$ 531.91	Printing of manual
22488	6/87	1,373.04	Maintenance supplies
881148	6/88	3,560.03	Shrubbery

Amended reports should be filed with the Division of General Services.

COLLEGE RESPONSE

The College has reported corrected information on the purchases to MMO in order that amended reports can be filed with the Division of General Services.

IV. Contractual Services Not Competed

Our review of procurement transactions revealed that the College has not competed transportation services - Upward Bound Program, transportation services - New Horizons Program, day care services for children of students, and a magazine subscription

service. These types of services are not exempt from the Code and Regulations. In fact, in our prior audit covering the period April 1, 1985 through May 26, 1986, we addressed two procurements for transportation services as not being competed. The College response to the two exceptions stated, in part, "... the College should have followed the Code's procurement guidelines..."

All procurements for these types of services must be made in compliance with the Code and Regulations.

COLLEGE RESPONSE

1. Transportation Services - The College has experienced problems in the past of arranging transportation for student participants in the federally funded programs, having only one vendor who provided public transportation. Transportation is now being bid through Materials Management Office and no further problems are anticipated.
2. Day Care Services - The College is presently working with MMO to work out a procedure for competing child care services.
3. Magazine Subscriptions - The College has placed magazine and periodical orders based on the assumption that the purchase was exempt under item 11 of the listing "Consolidated Procurement Code Universal Exemptions Granted Through January 16, 1986." Should this exemption not apply in this case, the college will follow appropriate bidding procedures.

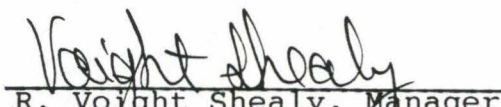
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings in the body of this report, we believe, will in all material respects place the Technical College of the Lowcountry in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Prior to December 31, 1988 the Office of Audit and Certification will perform a follow-up review to determine if the proposed corrective action has been taken. Subject to this corrective action and because additional certification was not requested, we recommend that the Technical College of the Lowcountry be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

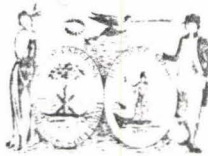


Larry G. Sorrell
Audit Manager



R. Voight Shealy, Manager
Audit and Certification

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

July 17, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have returned to the Technical College of the Lowcountry to determine the progress made toward implementing the recommendations in our audit report covering the period January 1, 1987 through June 30, 1988. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the College has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Additional certification was not requested. Therefore, we recommend that the College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Voight Shealy".

R. Voight Shealy, Manager
Audit and Certification

